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Sent by email to: [NetworkAccessReform@ofgem.gov.uk](mailto:NetworkAccessReform@ofgem.gov.uk)

Dear Jon,

## **Getting more out of our electricity networks by reforming access and forward-looking charging arrangements**

Thank you for the opportunity to respond to the above consultation. This is a non-confidential response on behalf of the Centrica Group.

We believe that the current network access arrangements and forward looking charging signals would benefit from being reviewed. We agree that the smart and flexible management of technologies will be essential to ensure that new low carbon technologies can be accommodated without requiring avoidable and potentially significant network investment. This means that arrangements need to ensure flexibility providers can get access to the networks and that charges provide effective cost reflective signals.

Whilst we would expect the review to inform views on the best overall outcome, there are a few points we would highlight at this stage:

- In terms of access, rights to the distribution networks require clarifying to ensure distribution connected generators (DG) can compete effectively for revenue streams across the market
- Ensuring DG can connect without excessive delay or cost is necessary to provide the level of flexibility that will be required in the future
- Charging arrangements need to provide effective cost reflective signals that recognise the benefits that users who offer that flexibility can provide
- Future charging arrangements need to be sufficiently predictable to allow longer-term investments to be made

It is important that charging arrangements are well justified, to ensure they endure for a reasonable time, and are implemented in a sensible fashion. This promotes investor confidence and stability of charging arrangements for all users, both of which serve the long-term interests of consumers. It would be preferable for the review to be completed as quickly as possible, and for significant changes to be subject to phased or delayed implementation (but not grandfathering) to mitigate impacts on investor confidence of unduly abrupt change. Delayed implementation

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should also allow reform to be coordinated with the Targeted Charging Review where appropriate and implemented alongside other changes required to support the development of flexibility products and services.

**Responses to specific consultation questions**

Our responses to your specific consultation questions can be found below. Please contact me if you would like to discuss any aspect of our response.

Yours sincerely,

Andy Manning  
Director - Network Regulation, Forecasting and Settlements  
**Centrica Regulatory Affairs, UK & Ireland**

## Responses to consultation questions

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### **Question 1: Do you agree with the case for change as set out in chapter 2? Please give reasons for your response, and include evidence to support this where possible.**

We believe that the current network access arrangements and forward looking charging signals would benefit from being reviewed. We would also note that this does not mean that reform will be needed in every area for review. Potential and existing issues are identified in this consultation, but it remains a requirement to demonstrate that any changes are both needed and are incremental improvements.

Examples of where the case for change is clear relate to access rights for distribution connected users. We are supportive of the distribution network operator (DNOs) using their networks more efficiently, potentially offsetting costly reinforcements. However, the lack of firm access rights generally, and more specifically for users that accept a flexible connection in order to get access, could impact the ability of those users to compete for other revenue streams, such as capacity market contracts, ancillary services contracts or in new flexibility markets. For example, in the recent Fast Reserve consultation<sup>1</sup>, it is proposed that providers must have a firm connection agreement. The lack of joined-up thinking between access arrangements and distributed generation (DG) revenue streams is likely to lead to inefficiency and have a detrimental impact on consumers' overall energy costs. Understanding the case for change in the wider context of the energy industry arrangements will be important. For example, getting access to both gas and power networks is vital to a gas-fired generator and so the consequences of inconsistencies between gas and power arrangements also need to be understood.

It is also clear that there are differences in treatment between users connected to the transmission network and users connected to the distribution network. For example, transmission-connected assets are paid to reduce output via the Balancing Mechanism (BM) in order to balance the system, mainly addressing locational issues; there is no such provision for non-BM plant. New assets on the distribution network that have to connect with a non-firm connection agreement (e.g. via the ANM schemes), must provide this output reduction for free to the DNOs. Consistent treatment is required and so changes to produce a more effective interface are likely to be required. Broadly, the consultation assumes that transmission arrangements should be left in place and distribution arrangements should align to those. This may be the practical way forward, but some consideration should be given to what the optimal arrangements are and the potential benefits (and costs) of aligning both transmission and distribution to those.

### **Question 2: Do you agree with our proposal that access rights should be reviewed, with the aim to improve their definition and choice? Please provide reasons for your response and, where possible, evidence to support your views.**

We agree that access rights should be reviewed. Currently, there is no clarity over rights for access to the distribution networks. This is required with the increasing levels of distributed

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<sup>1</sup> <https://www.nationalgrid.com/sites/default/files/documents/FR%20OCP-2%20Final.docx>

generation connecting in conjunction with the need for DNOs to use their networks more efficiently.

Active Network Management (ANM) is now commonly employed when connecting DG in certain areas. This could restrict those users' ability to provide flexibility more generally as the users are accepting all the risk of the network being unavailable. ANM should not become 'business as usual' practice when connecting DG as it does not solve the problem of access, it only places risk with the user and enables conditional connection. This could mean the full value of the flexibility available would not be realised, to the detriment of consumers generally. More sophisticated choices with regards to access should be explored to improve this; such choices could then be complemented with local flexibility markets at DNO level, in addition to the balancing services National Grid procures at both distribution and transmission level to ensure that the electricity system remains balanced.

Network companies have received innovation funding, over a number of years, for projects looking at how to connect DG more efficiently. Network companies need to demonstrate how learnings from these projects have been rolled out. Users should not have to accept non-firm access because innovation learning has yet to be fully utilised which would have allowed firmer access. Furthermore, it is important that the network companies are given incentives to roll out a smarter grid to enable access. Innovation funding has resulted in little or no progress in this and therefore reviewing this could enable benefits to consumers to be realised through reduced charges and improved access.

**Question 3: Specifically, do you have views on whether options should be developed in the following areas as part of a review? Please give reasons for your response, and where possible, please provide evidence to support your views:**

**a) Establishing a clear access limit for small users, with greater choice of options (as considered under b) and c) below) above a core threshold – do you agree with our proposal in paragraphs 3.5-3.10 that this should be considered? Do you have views on how a core threshold could be set?**

We agree that options relating to core access should be developed. These options should consider the long-term impacts on those customers to reduce the risk of unintended consequences. If core access does not include any cost signal, it will be important to understand any potential impact on long term network costs and also any limitations this may place on the provision of flexible solutions for short term network constraints. We need to ensure that this does not result in everyone paying more, due to traditional reinforcement that may have been avoided, in order to protect those unable to be flexible from paying more relative to others. In those circumstances, other options for providing protection may be required. For example, a potential approach could be to introduce a use of system tariff representing a higher level of domestic access with correspondingly higher standing charges representative of the costs of this access for local network levels i.e. the network levels most affected by access choices. Forward looking usage based cost signals for remote network levels could then be maintained for all customers. This would ensure those requiring greater access receive appropriate cost signals and contribute a greater amount for local network access without removing the potential wider benefits associated with appropriate usage based cost reflective signals for remote network levels.

The definition of core access will also need to be future proof. It is credible, for example that the ability to charge an EV will be defined as a basic need in a world with mass rollout of EV. The

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level of core access will need to be able to change, which brings a number of challenges in terms of predictability and practicality.

**b) Firm/non-firm and time-profiled access – do you agree with our proposal outlined in paragraphs 3.15-3.21 that these options should be developed?**

Yes, but care needs to be taken that any reduction in costs related to access (with regards to time-profiled access), most likely reflected in capacity costs, is justified in terms of cost-reflectivity e.g. a demand user with low capacity in the summer and high in the winter should not be rewarded with a lower overall capacity charge (assuming the network peaks in the winter). We believe use of system charging should focus on providing long term cost signals. Short term network constraints should be dealt with outside of use of system charging, and are likely to be best delivered through a combination of appropriate connection charging arrangements and demand-side response or flexible technologies offerings from National Grid balancing services or new local flexibility markets.

**c) Duration and depth of access, discussed in paragraph 3.25-3.32 - would these options be feasible and beneficial?**

Although we accept that access rights require more clarity, it is likely that most users believe they currently have ever-green access rights. Any move away from this to fixed-term access, possibly requiring user commitment, will be extremely difficult to implement. The benefits of this approach would need to be clear and significant for it to merit further consideration. We agree that is not presently a priority.

Under current market arrangements, it is difficult to understand when 'local' access arrangements will exist. All connected parties benefit from the security of the wider system, and the behaviour of all users affect the electricity flows, and so the need for future investment, across the wider system.

**d) At transmission or distribution in particular, or are both equally important – as discussed in this chapter?**

Broadly, the consultation assumes that transmission arrangements should be left in place and distribution arrangements should align to those. This may be the practical way forward, but some consideration should be given to what the optimal arrangements are and the potential benefits (and costs) of aligning both transmission and distribution to those.

**Question 4: Do you agree with the key links between access and charging we have identified in table 1? Why or why not? Do you think there are other key links we have not identified? Where possible, please provide evidence to support your views.**

It is important that arrangements for access and charging complement each other.

With regards to firmness of access, whilst it seems logical that users with less firm rights should generally face lower charges than those with firm rights, lower use of system charges may not be able to adequately redress the detrimental impact of a non-firm connection. For example, lower use of system charges are unlikely to cater for the risk of curtailment leading to delivery failure during a Capacity Market stress event. It will be difficult to demonstrate that arrangements

genuinely 'level the playing field' unless less firm rights are the choice of the user, as opposed to the only option offered by the network.

With regards to time-profiled access, as set out previously, it is important that any reduction in costs related to access is justified in terms of cost-reflectivity i.e. users should not be rewarded with a lower overall capacity charge unless their time profiled access is genuinely reducing the need for capacity (current or future) and therefore costs. For example, if a local network peaks during a winter weekday, it is unlikely that a user with low demand in the summer and high demand in the winter (or low demand at night and high demand during the day) is providing any network benefit that would justify lower use of system charges.

Cost reflective network charging should use appropriate cost drivers. It is too simplistic to suggest a move away from time-of-use based charging to capacity based charging at this point in the review. At network levels close to the point of connection, investment will typically (for large customers<sup>2</sup>) be driven by the capacity/access requests of local customers and therefore capacity is the appropriate driver for charging for those local network levels. For example, irrespective of the merits of SSEN's Smart EV project<sup>3</sup>, the proposed solution is to install monitoring devices only at the local electricity substation indicating that it is local demand that requires enhanced monitoring. As you move further away from the point of connection of a customer, it will be the diversified demand of that customer along with all other customers that will drive network investment (not the aggregate of capacity requests from these customers), and so it is more appropriate to maintain a time-of-use usage based charge for these remote network levels.

We agree that a greater take-up of choice around time-profile rights would be supported by a capacity-based charging approach, and we are supportive of investigating how the investment cost signal could be improved in this area as part of the review. We do not agree with the suggestion that this requires a move away from time-of-use usage based charging. Time-profiled access is only likely to provide direct benefits to the local network level(s) and so it would be appropriate to reflect only these local network benefits in a capacity based charge.

Use of system charging should reflect the relative merits of capacity and usage charges. The review should be seeking use of system charging arrangements that reflect costs using the most appropriate cost drivers. It is also important that the review does not prejudge the merits of one form of charging over another.

**Question 5: Do you agree with our proposal that targeted areas of allocation of access should be reviewed? Please give any specific views on the areas below, together with reasons for your response. Where possible, please provide evidence to support your views:**

**a) Improved queue management as the priority area for improving initial allocation of access, as outlined in paragraphs 3.41-3.44?**

We agree that improved queue management should be the priority area. Getting projects connected in certain areas is an existing, and growing, issue. Some DNOs do not currently queue manage at all when it could be that moving one customer up the queue would enable other customers in the queue to be accepted. Improved queue management is already being progressed by the industry via the ENA Open Networks project (a consultation on this topic in Workstream 2 of the project is expected in November) and so has the potential to deliver benefits more quickly, and certainly, than other suggestions.

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<sup>2</sup> However, for small users DNOs will typically use a measure of diversified demand (ADMD, After Diversity Maximum Demand) for the purposes of network planning and investment

<sup>3</sup> <https://www.eatechnology.com/engineering-projects/smart-ev/>

Although improved queue management does not need to be developed under any significant code review, this project should make it clear what is expected to be delivered (e.g. a solution reflected in industry codes) and when it is required by. There should also be provision for the scope of an SCR to be changed if the industry is not making sufficient and timely progress in any areas where network licensees lead outside an SCR.

**b) Not to consider the potential role of auctions for initial allocation of access as part of a review at this time, as discussed in paragraph 3.44?**

We agree that auctions do not provide sufficient promise of benefit to warrant the level of disruption involved.

**c) To review the areas outlined in paragraphs 3.45-3.48 to support re-allocation of access?**

If a user has paid for access, and is paying a cost reflective charge for ongoing access, that user would seem to have a reasonable right to continued access. There are legitimate reasons why a user may maintain a level of capacity above current requirements, such as considering site developments that may require increased capacity in the future.

Arrangements for sharing and trading access are sensible options to enhance utilisation of the networks. Similar options in place for the transmission network have, in practice, had limited uptake and so care should be taken to ensure the effort required to develop and implement such proposals is proportionate to the likely benefit.

**Question 6: Do you agree that a comprehensive review of forward-looking DUoS charging methodologies, as outlined in paragraphs 4.3-4.7, should be undertaken? Please provide reasons for your response and, where possible, evidence to support your position.**

It is unclear what is meant by a 'comprehensive review' as the specific examples contained in paragraphs 4.3 – 4.7 could imply a relatively narrow scope (generation dominated areas, improved predictability at EHV, more capacity based charges). For example, it is unclear whether the concept of the distribution reinforcement model (DRM), the basis of CDCM charges, is under review. Neither is it clear whether improved predictability at EHV will involve improvements or entire replacements of the LRIC/FCP methodologies.

Whilst there is merit in reviewing the areas highlighted in the consultation, perhaps as well as other areas of the existing methodologies, to ensure they remain fit for purpose, it is important that the starting point for a review recognises and preserves the positive elements of existing arrangements – noting that they are the result of a significant period of development work undertaken by the industry and overseen by Ofgem, as well as many years of open governance. Therefore, we believe the review should focus on the areas where it can be clearly demonstrated that existing arrangements are no longer fit for purpose. It will also need to be able to clearly demonstrate that any reformed arrangements are an improvement compared to the baseline. We believe use of system charging should focus on providing long term cost signals. Short term network constraints are best dealt with outside of use of system charging, and are likely to be best delivered through a combination of appropriate connection charging arrangements and demand-side response or flexible technologies offerings from National Grid balancing services or new local flexibility markets.

With regards to greater granularity to CDCM charging, generators that are adding to long term costs on the network and receiving credits is an area that should be reviewed. It is also difficult to envisage greater granularity than that proposed at the lower voltage levels. With regards to the predictability of EDCM charges, we also agree that this is a problem area that should be part of the review. We note that greater predictability is not the same as greater stability, and it is the former that should be focused on. If the LRIC/FCP methodologies are to remain, it would seem sensible to consider moving to a single methodology as this would improve the consistency of charging arrangements across the country.

With regards to the balance between usage-based charges and capacity based charges, we do not agree with an assumption that capacity based charges provide better forward-looking charges. As set out in response to question 4 above, cost reflective network charging should use appropriate cost drivers. It is not appropriate to suggest a move away from time-of-use based charging to capacity based charging at this point in the review. At network levels close to the point of connection, investment will typically be driven by the capacity/access requests of local customers and therefore capacity is the appropriate driver for charging for such local network levels. However, as you move further away from the point of connection of a customer, it will be the diversified demand of that customer along with all other customers that will drive network investment (not the aggregate of capacity requests from these customers) and so it is more appropriate to maintain a time-of-use usage based charge for these remote network levels. This logic of local network costs being reflected in capacity charges (or fixed for NHH) and remote network costs being reflected in usage charges is reflected in current CDCM and EDCM charges and is appropriate.

We would note that the current CDCM applies discounts to local network costs, recovered via capacity/fixed based charges, to take account of assumed customer contributions through connection charges. Therefore, the proposal to move to a shallow connection boundary at distribution would logically lead to a rebalancing towards capacity/fixed based charges in any event, as these local network discounts would reduce or be removed.<sup>4</sup>

We agree that arrangements for smaller users, and particularly vulnerable users, should be considered as part of the review. However, if small users are not subject to cost reflective signals it will be important to understand any potential limitations this may place on the provision of flexible solutions. Such a charging approach would exclude the majority of demand that makes up peak demand<sup>5</sup> from responding to cost reflective signals and the review would need to make sure that this would not result in everyone paying more for network charges, due to more traditional reinforcement, in order to avoid some (flexible) people paying less than others (non-flexible). A potential approach could be to introduce a tariff representing a higher level of domestic access with correspondingly higher standing charges representative of the higher long term costs of this access for local network levels. The forward looking usage based cost signals for remote network levels could then be maintained for all customers. This would ensure those requiring greater access receive appropriate cost signals and contribute a greater amount for local network access without removing the potential wider benefits associated with appropriate usage based cost reflective signals for remote network levels.

If the review does progress with a move to non-cost reflective charges for basic usage, then whether this basic usage charge needs to differ across the country should be considered.

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<sup>4</sup> We estimate that removing customer contributions from the CDCM would increase the amount recovered from fixed and capacity charges by c. 60% (or £650m/yr)

<sup>5</sup> Based on CDCM models, current domestic demand makes up c. 50% of network peak demand, rising to c. 63% if small non-domestic is included.



**Question 7: Do you agree that the distribution connection charging boundary should be reviewed, but not the transmission connection boundary? Please provide reasons for your response and, where possible, evidence to support your position.**

We agree that this would reduce barriers to entry at distribution level. It would also improve alignment with transmission level connections and so could help to level the playing field. However, we do not believe the review should start with any presumption as to what the optimal solution is for alignment of connection boundaries. Instead the review should be looking for the optimal answer and aligning transmission and distribution to that.

The prospect or likelihood of moving to a shallow connection boundary at distribution could also lead to a hiatus in connections until the change is implemented, which we believe it would be appropriate to align with the start of the next price control in 2023. Therefore, there may need to be some form of transitional arrangements (for example rebate clauses for new connections if the move to a shallow boundary goes ahead). These would only be applied prospectively which should make implementation easier.

A move to a shallow connection boundary at distribution may warrant investigation of how the local use of system cost signals could be improved for DUoS, possibly learning from the approach to local charges at transmission. This may only be practical at higher voltage levels.

**Question 8: Do you agree that the basis of forward-looking TNUoS charging should be reviewed in targeted areas? If you have views on whether we should review the following specific areas please also provide these:**

- a) Do you agree that forward-looking TNUoS charges for small distributed generation (DG) should be reviewed, as outlined in paragraphs 4.19-4.23?**

Following the approval of CMP264/5 the differences in treatment between small DG and large generators may not be as great as set out in the consultation. For large generators that are in zones that reduce wider long term transmission costs it is not capacity (TEC), but the three periods of maximum output during Nov-Feb that ultimately dictates the level of credit received<sup>6</sup>, whilst for small DG it is output during the three Triad periods (Nov-Feb). Therefore, for such generators, the main differences in treatment between transmission and distribution are in the ability of small DG to hit Triad and in how the 27 generation zones are consolidated into 14 demand zones. It is unclear whether this difference in approach is leading to significant distortions.

With respect to small DG that are in zones that are increasing long term transmission costs, i.e. the proposal to remove the cap at zero, we consider that, in principle, the alignment of treatment for generators is a sound objective. However, there are advantages and disadvantages of being connected at distribution level and in seeking to level the playing field it is important that the review recognises the full range of differences between transmission and distribution connected generators. As it is unlikely that the review will seek to address all of these differences, it is important that it assesses whether proposed solutions improve the situation 'in the round'.

CMP264/5 dealt with the most material and obvious distortion, and we consider that it will be important to understand the case for further change in the wider context of the energy industry arrangements. It may not be appropriate to introduce TNUoS charges (as opposed to credits) for small DG unless they are granted the same access rights as large generators. The current lack of firm access rights generally, and more specifically for users that accept a flexible connection in order to get access, could impact the ability of those users to compete for other revenue

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<sup>6</sup> CUSC section 14.18.14  
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streams, such as delivering Capacity Market obligations<sup>7</sup>. This is likely to have a detrimental impact on consumers' overall energy costs. Whilst National Grid is looking to open up access to their Balancing Services via its System Needs and Product Strategy roadmaps, it still remains the case that DG cannot necessarily access the same revenue streams as transmission-connected assets; we believe that this should be addressed and becomes essential if TNUoS charges were to be imposed on DG.

**b) Do you consider that forward-looking TNUoS charges for demand should be reviewed, as outlined in paragraphs 4.24-4.27? Please provide reasons for your response and, where possible, evidence to support your position.**

Triad is effective at shifting demand. We also recognise that it is unlikely to be able to be applied to users on mass. As set out in the consultation, it is also increasingly difficult to predict and may not align with periods of peak network constraints. The review should consider whether Triad remains the most appropriate approach to providing signals to users that are likely to promote behavioural responses that reduce long term network costs. We also note that Triad is not used as the driver for network investment according to the SQSS<sup>8</sup>, but rather ACS<sup>9</sup> corrected demand which suggests a time-of-use based charge covering the appropriate peak 'window' may be worth investigating.

**Question 9: Do you agree that a broader review of forward-looking TNUoS charges, or the socialisation of Connect and Manage costs through BSUoS at this time, should not be prioritised for review? Please provide reasons for your response and, where possible, evidence to support your position.**

Currently the forward looking element of demand charges recovers very little, or even negative amounts of, revenue. The review should seek to fully understand the reasons for this and whether or not it is justified. If it cannot be justified (or understood) then the transport model should become part of the review.

It is not clear to us why the socialisation of Connect and Manage costs through BSUoS is not being considered as part of the review, or indeed why the Connect and Manage regime more generally is not being reviewed. The rationale provided that the commissioning of the Western HVDC and Caithness Moray Links is likely to reduce constraints costs in the short-term, could equally be applied to justify a general review of the Connect and Manage regime.

**Question 10: Do you agree that there would be value in further work in assessing options to make BSUoS more cost-reflective, and if so, that an ESO-led industry taskforce would be the best way to take this forward?**

The current uncertainty over which, if any, review BSUoS is part of is undesirable and clarity over the timescales over which it may be reformed is important. The best way to bring the required clarity would appear to be to include within this network access reform work. This work will have a clear framework and timetable. This should include the impact on BSUoS of any policy decisions from the TCR. If Ofgem is comfortable that an ESO-led industry taskforce can provide the same level of clarity then this is another option.

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<sup>7</sup> There is also a linkage with Gas networks here, where Gas generation plant connected at distribution level are more at risk of disconnection compared to transmission connected generation.

<sup>8</sup> Security and Quality of Supply Standard

<sup>9</sup> Average Cold Spell

We believe any proposed reform should be implemented in a way that seeks to avoid windfall gains and losses. Windfall gains and losses could arise if changes in arrangements are implemented before market participants are able to reflect those changes in forward contracts such as power purchase agreements or energy supply contracts.

**Question 11: What are your views on whether Ofgem or the industry should lead the review of different areas? Please specify which of SCR scope options A-C you favour, or describe your alternative proposal if applicable. Please give reasons for your view.**

Scope Option A is appropriate since there are some industry projects which are currently being progressed to develop reforms for some elements of access rights. We welcome timescales being set out in the proposed licence condition, as a means of encouraging network licensees to ensure sufficient and timely progress is made in areas in which they lead. However, we recommend Ofgem reserves the right to expand the scope of the SCR to include areas being developed by the industry if sufficient and timely progress is not being made.

**Question 12: Do you agree with our proposal to launch an 'Option 1' SCR for areas of review that we lead on? Please give reasons for your view.**

An 'Option 1' SCR would be consistent with other SCRs such as the Targeted Charging Review.

**Question 13: Do you agree with the introduction of a licence condition on the basis described in paragraphs 5.11 and 5.12 and Appendix 5? Why or why not? Do you have any comments on the key elements set out in table 7 of Appendix 5a, or consider there are any other key elements which should be included? Please give reasons for your view.**

We agree licence conditions should be introduced for network licensees, to ensure the industry makes timely and effective progress in any areas where they lead outside an SCR. We suggest the following modifications to the key elements set out in table 7 of Appendix 5a:

- A provision for the scope of an SCR to be changed if the industry is not making sufficient and timely progress in any areas where network licensees lead outside an SCR should be included. This should mitigate against the risks of proposals not being developed in a timely manner and of fragmented implementation of reforms.
- Transmission Owners (TOs) should be added to the list of parties for whom licence conditions should be introduced. While the ESO can coordinate wider input from TOs, it is important that TOs are directly involved in and responsible for developing proposals. There may be some areas in which the TOs can provide additional insight, such as physical connections. Additionally, TOs should also be made responsible for developing proposals so that momentum in ongoing projects involving the transmission-distribution interface, such as the ENA Open Networks project, is maintained.

**Question 14: Do you have any comments on the draft wording of the outline licence condition included at Appendix 5b? Please give reasons for your view.**

The licence condition should include a provision for the scope of an SCR to be changed if the industry is not making sufficient and timely progress in any areas where network licensees lead outside an SCR. This should mitigate against the risks of proposals not being developed in a timely manner and of fragmented implementation of reforms.

**Question 15: What are your views on our indicative timelines? Do you foresee any potential challenges to, or implications of, the proposed timelines and how could these be mitigated?**

Implementing reforms that result from the SCR<sup>10</sup> should not be unnecessarily delayed but the timing should be carefully considered, in order to reduce the potential for windfall gains and losses and to avoid creating undue risk for market participants. Both of these factors could create consumer detriment.

Windfall gains and losses could arise if changes in network charging arrangements are implemented before market participants are able to reflect those changes in forward contracts such as power purchase agreements or energy supply contracts. For example, the impact of the reforms on network charging arrangements may not be reflected in the wholesale power price before those forward contracts are reviewed. Similarly, short implementation timescales may not allow energy suppliers to reflect the impact of the reforms in long-term fixed contracts. Additionally, short implementation timescales could create undue risk for those market participants that secured or could bid for Capacity Market agreements before decisions on the reforms are made, even before the direction of travel of the reforms is sufficiently signalled.

Implementation timescales could be explicitly linked to bidding periods for Capacity Market T-4 auctions or to the length of time that market participants are able to forward trade for. Implementation could also be based on milestones at which the direction of travel of the reforms is sufficiently signalled, ahead of the final decisions being made. That would allow market participants to consider and adopt their own approaches to catering for the changes in network charging arrangements.

**Question 16: What are your views on our proposals for coordinating and engaging stakeholders in this work?**

We agree the Charging Futures infrastructure should be used for coordinating and engaging with stakeholders. It has already provided increased engagement with stakeholders for the Targeted Charging Review and has already been used to deliver preliminary work in some areas discussed in this consultation.

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<sup>10</sup> As set out in our answers to Questions 5 and 11, we consider improvements to the allocation of access can be delivered more quickly by industry, outside of the SCR  
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